Mekelle University

College of Business and Economics

Department of Management

Determinants for Performance of Ethiopian Horse Beans Export to Sudan: The Case of Metema-Gelabat Border

A Thesis Submitted to the Department of Management in Partial Fulfillment of the Requirements for the Degree of Master of Arts in Development Studies

By

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August 2010

Mekelle, Ethiopia

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Dedication

This thesis is dedicated

To

My wife, Alemnesh Zewdu

Who has been paying a great commitment for my career development and with her love, care and support.

Besides, the thesis is again equally dedicated

to

My daughter Tinsae Yenieguad

Who joined us at the end of my first academic year and blessed our life.

Declaration

I, Yenieguad Estibel, hereby declared that the thesis entitled as "**Determinants for Performance of Ethiopian Horse Beans Export to Sudan: The Case of Metema-Gelabat Cross-Border**" submitted by me in partial fulfillment of the requirements for the award of the degree of Master of Arts in Development Studies to the College of Business and Economics, Mekelle University, is my original work and it has not been presented for the award of any other degree, diploma, fellowship or other similar titles of any other universities or institutions.

Place: Mekelle

Signature & date _____

Yenieguad Estibel

R. No. PR/0079/01

August, 2010

Certification

This is to certify that this thesis entitled as **"Determinants for Performance of Ethiopian Horse Beans Export to Sudan: The Case of Metema-Gelabat Cross-Border**" submitted in partial fulfillment of the requirements for the award of the degree of Master of Arts in Development Studies to the College of Business and Economics, Mekelle University, through the Department of Management, done by Yenieguad Estibel, Id.No. PR/0079/01 is an authentic work carried out by him under my guidance. The matter embodied in this project work has not been submitted earlier for award of any degree or diploma to the best of my knowledge and belief.

Place: Mekelle

Signature _____

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Acronyms

ADLI	Agriculture- Development –Led- Industrialization
BoARD	Bureau of Agriculture and Rural Development of Amhara Region
BoTI	Bureau of Trade and Industry of Amhara Region
CDIE	Centre for Development Information and Evaluation
COMESA	Common Market for Eastern and Southern Africa
EQSA	Ethiopian Quality and Standards Authority
ERCA	Ethiopian Revenue and Customs Authority
GDP	Gross Domestic Product
IGAD	Inter Governmental Authority for Development
IMF	International Monetary Fund
MoARD	Ministry of Agriculture and Rural Development
MoFED	Ministry of Finance and Economic Development
MoTI	Ministry of Trade and Industry
MT	Metric Tones
NBE	National Bank of Ethiopia
OLS	Ordinary Least Square
SAP	Structural Adjustment Program
SDPRP	Sustainable Development and Poverty Reduction Program
SPSS	Statistical Package for Social Sciences
UN	United Nations
USD	United States Dollar

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ABSTRACT

The Metema-Gelabat border horse beans export encountered a number of influencing factors that deter its performance. Among others inadequate capital, lack of experience on export trading, inadequate knowledge of exporters, lower quality standards of horse beans and inadequacy of export incentives and government support services are supposed to be critical. The major objective of this study was to identify and analyze to what extent those major determinants affect the performance of export of horse beans across the border. A binary logistic regression is employed using SPSS 15.0 software to examine the effects of the selected variables on the performance of export of horse beans. A sample of fifty exporters residing in Bahir Dar, Gondar and Metema towns have been taken from a total of 87 exporters in the three areas using simple random sampling technique as primary sources of information. The findings of the study implied that the amount of exporters' capital, the quality of exportable horse beans and support services of the government were found to significantly affect performance of export. Whereas, knowledge and experience of exporters were found not to be as such influential factors to deter performance of horse beans export across the border.

Key Words: Metema-Gelabt border, Export Performance, Horse Beans, Binary logistic regression

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Ethiopia has been exercising various development policies in general and trade strategies in particular in different regimes. The trade system during the Emperor period was mainly focused on import substitution, industrial promotion and expanding infrastructure facilities like road development. Diversification of the export structure by exploiting the large livestock population, and the products of agro-processing industries were also other focus area of the policy (Kagnew, 2007). The trade sector was governed by relatively free market economy in which the private sector mainly foreign capital, had occupied the sheer weight of both export and import activities (Brook Kebede, 1999).

During the Dergue regime, the overall policies favored the expansion of collective and public enterprises while private enterprises were kept at cave for long. An inward looking strategy behind a highly protective tariffs and quantitative restrictions were key tools of the Dergue regime development strategies (Kagnew, 2007; Brook Kebede, 1999). Hence, the country's international trade relation was very minimal except for the role of few state owned export companies which were exporting to socialist countries (Brook Kebede, 1999).

The current Ethiopian government, since 1992, has been undertaking various policy measures which mainly focused on increasing the agriculture production and productivity, as leading economic growth and development strategy which ultimately aim at the transformation from agricultural to industrial economy. The government has undergone liberalization and enhanced Structural Adjustment Programs (SAPs) with the support and guidance of the IMF and the World Bank to restrain internal and external imbalances of the economy (MoFED, 2002; Kagnew, 2007; Brook Kebede, 1999). The Agricultural-Development-Led-Industrialization (ADLI) strategy, Export Development Strategy, Industrial Development Strategy and Sustainable Development and Poverty Reduction Program (SDPRP) recognized the role that the export sector plays as the country's export rely heavily on agricultural products that originate mainly from the small holder peasant farming. Hence, enhancement of the private sector led export is

one key policy issue which is supported with a number of reforms and incentive schemes to exporters (MoFED, 2002; Brook Kebede, 1999).

Given the aforementioned policy frameworks and endowed with varied agro-ecological zones and diversified natural resources the overall performance of the export sector of the country was not satisfactory during the periods 1974/75-2002/03 due to its lower export/GDP ratio and declining share of export in financing the import (Brook Kebede, 1999).

The export share of pulses from the total export, during 1970/71 was 6.3% while it reduced to 1.88% in 2000/01. In 2001/02 it raised to 7.28% while it again reduced to 4.13% in 2002/03 which makes the average export share for pulses 4.47 percent between the periods 1970/71-2002/03. This indicated that the pulses export was fluctuating between the periods 1970/71-2002/03 (Brook Kebede, 1999).

Ethiopia accounts for about 9 percent of the total world production of horse beans. But, its annual exports are minimal averaging to only around 88 Metric Tones (MT) during the period 1998-2000 (MoARD, 2003). The recent trend also indicated that the export volume of horse beans was 34,153 tones and 39,326 tones during the periods 2006 and 2007 respectively.

According to NBE 2007/08 annual report, out of 14.2% export market share of Africa, the three neighboring countries Sudan, Somalia and Djibouti consists about 88.3%. Most importantly, Ethiopia and Sudan have longer period historical and multi-sectoral relations (NBE, 2008).

In the trade agreement between Ethiopia and Sudan, which concluded in March 2000, both countries have agreed, among others, to make use of concessions provided in both Common Market for Eastern and Southern Africa (COMESA) and Inter Governmental Authority for Development (IGAD) treaties, facilitate freedom of transit of commercial goods from or destined to a third country. The two nations established a 'Joint Trade Review Committee' to follow up the implementation of the agreement. Later in 2001, a 'Border Trade Protocol' was signed which the signatories believed would help to avail basic tradable goods which people residing in border areas cannot easily get from their respective central regions. The agreement had provided for local petty-traders residing within 90 km radius of the border, to trade in a specific list of commodities with "a value not exceeds Birr 2,000 or 61,404 Sudanese Dinnar at a single trip

once in a week" provided they possess border trade licenses specifically designed for this purpose (ERCA, 1993; Alemayehu Eyasu, 2004).

Besides, the two nations also maximized the effort at further liberalization of trade between the two countries culminated at the signing of a 'Preferential Trade Agreement' in April 2002. The agreement has eliminated all tariff barriers by reducing the preferential rate of custom duties to Zero. Even though the agreement exempted all industrial and agricultural products (originating from both parties) from customs duties, it, however, applies the COMESA 'Rules of origin' on the goods traded (ERCA, 1993; Alemayehu Eyasu, 2004). Metema, one of the woreda administration in Amhara region along the Ethio-Sudan international border, is among the main legal export outlets for different agricultural and some industrial commodities of Ethiopia into Sudan.

Although the absolute figure is still small compared to the potential, Ethiopia's export of horse beans has shown an increase since the year 2000. In 2000 the country has exported 151 tons of horse beans valued at 55,458 USD. But, in 2009, the foreign currency earned from export of horse beans through Metema-Gelabat border reached USD18.7 Million (Metema Customs Center, 2009).

Therefore, this study is aimed at identifying and analyzing to what extent that those major determinants affect the performance of export of Horse Beans across the border.

1.2 Statements of the Problem

Since 1992, Ethiopia has embarked on reform package with the aim of reversing the deteriorating economic conditions and put the economy in a sustainable growth momentum. The key and leading policy, the Agricultural Development Led Industrialization (ADLI) strategy gives due attention for the growth of agricultural production and productivity focusing on the promotion of export of agricultural products (MoFED, 2002.). The Ethiopian economy is agrarian and agricultural commodities dominate the export basket, basically coffee. Although the focus of the economic reform program has been to make export as an engine of growth, it does not seem that the government's attempt has brought the required results.

One of the destinations of Ethiopian agricultural products is Ethiopia's neighbor country, Sudan. These two nations have historical relations on political, socio-cultural and economic aspects. There exists a bi-lateral and multi-sectoral agreement between the two countries. The cross-border trade is one key area of agreement reached by the two nations since 2003.

According to the information from experts of BoTI, despite some promising progresses from time to time on the bi-lateral cross border trade relations, the cross border export sector has been facing a number of problems. Marketing knowledge and information are two of the major potential problems which revolve around the Metema-Gelabat border markets, business practices, and competition; and management to generate foreign sales.

The experience of a company is the bases from which the values, routines and traditions are developed that guide its current and future strategy, thus facilitating international activity. Companies with less organizational experience find it more difficult to overcome barriers to export due to their lack of organizational resources, experience of their directors and knowledge of the business and market (Leonidou et.al, 2002). But, based on the information from BoTI, the horse beans exporters along the Metema-Gelabat border lack enough experience in the export trade.

A lack of financial resources has been identified as a key factor influencing the failure of export ventures. These barriers are associated with a lack of capital or credit to finance export sales and a lack of finance for market research, as well as difficulties associated with operating with different currencies and collecting payments abroad (Siringoringo, 2009). One of the critical constraints to expand the capacity of exporters was their lower financial capital as the experts from BoTI and customs offices argued in the cross border trade.

Quality is often indicated as one of the most important conditions for entering and remaining in foreign markets (Christensen et.al, 1994). Most of the exported horse beans are of grade three standards which is the low quality level as per the Ethiopian Quality Standards, having an impurity level of 8.0% (Negarit Gazeta, 1990). Based on the reports from Metema Customs Center, most of the exporters export grade three level of quality of horse beans which is the lowest quality level in Ethiopian Quality Standards. On the other hand, some of the exporters often complain on the inconveniency of the quality standards testing, approval and certification mechanisms.

According to Carole Maurel, several aspects of the external environment must be taken into account. Export performance depends on the context, the environment outside the company, in which it operates. However, the inadequacy of institutional frameworks is a common problem facing developing countries in Asia. This is reflected in, government supports and related services among other things such as: (a) inappropriate and unpredictable trade policies and regulations; (b) inefficient trade and customs administration systems; (c) cumbersome trade procedures and documentation; and (d) rent-seeking and unofficial payments. Firms may suffer from the lack of government assistance and incentives for exporting as well as a particularly restrictive regulatory framework concerning export practices. Those external barriers to export from the view point of the domestic or home government support services and related facilities as supportive to promote export performance are considered as key determinants.

According to key informants from Amhara Regional Trade and Industry Bureau, the major factors that are proposed as potentially influencing the cross border horse beans export trade include lower financial capital, lack of experience on export trading, inadequate knowledge in international business, and lower quality horse beans; inconvenient customs and quality assurance procedures; inadequacy of export incentives and government support services; unavailability of appropriate storage facility, fragmented and informal market information channels and the impacts of purchasing price and higher transportation costs.

Given all these potential determining factors, as to my knowledge is concerned, there is no any research effort done to identify the determinants of export performance of horse beans via Metema-Gelabat border. In addition, most of the research works on assessment of factors influencing exports performance have been done so far focused on developed nations and other developing countries where their domestic exporters', policy, marketing and other environmental conditions are quite different from our country. The other reason for the research to focus on analyzing the determinants of performance of horse beans export due to the very fact that its export volume and value of earnings increased promisingly as it has a potential demand from Sudan.

Hence, this research attempted to analyze to what extent these potential determining factors affect the export performance of horse beans to Sudan through the Metema-Gelabat border.

1.3 Objectives of the Study

1.3.1 General Objective

The overall objective of the study was to identify and analyze the major determinants for the performance of export of Ethiopian horse beans to Sudan through Metema-Gelabat border.

1.3.2 Specific Objectives

1. To investigate to what extent the major determining factors affect the performance of horse beans export
2. To investigate whether the amount of exporters' current capital significantly influence export performance or not
3. To assess the knowledge of exporters on export trading and related activities and its effect on their export performance
4. To examine whether experience of exporters on exporting and international trade has significant effect on export performance
5. To assess the support services of government and its influence on the export performance
6. To assess whether quality of horse beans significantly deterring export performance
7. To recommend some possible options as to solve the problems based on research findings

1.4 Research Hypotheses

The following hypotheses were framed based on the review of literatures and preliminary discussions made with experts and officials in the sector.

H1n: Capital of exporters will not influence export performance

H1a: Capital of exporters significantly influences export performance

H2n: Knowledge of exporters on export trading and related activities will not affect their export performance

H2a: Knowledge of exporters on export trading and related activities significantly affects their export performance

H3n: Experience of exporters on exporting and international trade will not significantly influence export performance

H3a: Experience of exporters on exporting and international trade significantly influences export performance

H4n: Quality of horse beans will not affect affects export performance

H4a: Quality of horse beans significantly affects export performance

H5n: Support services of the government provided to exporters has not any influence on export performance

H5a: Support services of the government to exporters significantly influence the export performance

1.6 Scope of the Study

The study was limited to analyze the legal export of horse beans along the Ethio-Sudan, Metema-Gelabat cross-border. The study mainly focused on investigating the major determinants of horse beans export and its performance.

However, the study excluded to deal with the export of other items along the cross-border. This is, among others, due to the fact that horse beans export is currently a promising border trade activity which needs to be assessed so that more benefits can be maximized from this sector.

Given the time and budget constraints, the study did not include the demand side from the importers' point of view and it only focused on the supply side, that is, the determinants of export performance of Horse Beans via Metama-Gelabat border.

The study covered those horse beans exporters who reside mainly in Metama, Gondar, and Bahir Dar excluding those who live in Addis Ababa and Tigray regions. Beside the time and budgetary constraints that the researcher faced those exporters who reside in Metama, Gondar, and Bahir Dar are targets of this study as they are close to Metema-Gelabat border to use this outlet than those exporters living in Tigray and Addis Ababa.

1.7 Limitations of the Study

In conducting the research, the researcher faced a number of challenges. The relative scarcity of relevant empirical literature on Ethiopian commodities export performance and its determinants required the researcher to take much of the study time and draw from only a limited amount of literary sources. Thus, the literary support for some of the research findings may not be as strong as it would be in other areas of international marketing and trade.

Furthermore, given the nature of the study as a requirement for a partial fulfillment of the degree of the Masters of Arts and with the researchers own financial sources, certain time and financial constraints limited the extent of detail the researcher could devote to particular issues in the topic such as not considering the demand side factors from importers point of view.

1.8 Significance of the Study

The study has significance in broadening the knowledge about the existing export trade activities, performance and problems of the export trade across Metema-Gelabat border, most importantly that of horse beans export. The major contributions of the study fall into three categories: namely; (1) to provide with recent information on the major factors influencing the performance of horse beans export across Metema-Gelabat border to subsequent research works in the area, (2) as source of information for exporters to take their own internal decisions as to improve their capacity and enhance their performance and competitiveness, (3) the government and other concerned stakeholders may also take their own remedial actions so as to promote export growth in this border area.

1.9 Organization of the study

The research is divided into five chapters. The first chapter provides introduction about the study in which background and rationale of the study, statements of the problems, research questions and hypothesis, objectives, scope and limitations, and significance of the study are included. Chapter two reviews literatures related to the topic focusing on the concepts of export performance, its measurements and determinants, and performance and challenges of Ethiopian exports. Chapter three includes methods of sampling, data collection, and methods of analysis, model specification and operational definitions of variables. In the fourth chapter, findings of the

research and their interpretations of results are discussed. Chapter five concludes the study with an overview of implications and recommends for actions and future researches.

CHAPTER TWO: LITRATURE REVIEW

2.1 Review of Theoretical Foundations

Theories of international trade and economic development did advocate import substituting industries in order to increase production and productivity and diversify the production structure. However, according to the report of UN Trade and Development (1998), growth rate which initially being registered failed to sustain and an emphasis shifted towards export-led growth these days. The major concern with regard to international trade, particularly of the export sector, has shifted to improving the performance of the export sector development. Given the limited size of the domestic markets, expanding the export capacity and increasing the competitiveness is vital for rapid growth and development (Charles, 2001).

Exporting is one of the most common entry modes to international markets. Consequently, exporting and export behavior have been a primary area of interest in the international marketing field and the focus of extensive marketing literature (for example, Leonidou et al, 1998). Although past researches have established the relationship between marketing strategy and performance in the domestic marketing context, empirical work in the context of export marketing has been scanty and fragmented (Zou and Cavusgil 1994).

Zou and Cavusgil (1994) classified the export constraining factors emanating from both the external and domestic environments. The external factors include: international trade laws and regulations, regional trade organization laws and regulations, and the import regulations of individual countries. The domestic factors that are assumed to influence the competitiveness of the export sector of developing countries also include: government policies, level of industrial development, the incentives structure, the export support services, and firm specific services like skill composition, personnel and engineering management.

Thus, the arguments above tried to summarize and highlighted the difficulty of providing a concrete answer to the question of the major factors affecting international marketing in general and that of export performance in particular, this calls for the importance of some empirical evidences to complete the theoretical concepts.

2.2 Definitions, Concepts and Determinants of Export Performance

2.2.1 Definitions and Concepts of Export performance

Shoham (1998) has generally defined ***export performance*** as the result of a firm's actions in export markets. Although, growing body of literature has addressed the issue but still there is no evenly accepted conceptual and operational framework (Shoham, 1998). Leonidou et. al. (2002), have identified that export proportion of sales or export intensity, export sales growth, export profit level , export sales volume, export, market share , and export profit contribution are mostly used measures of export performance.

There is still no agreement on how to measure export performance, though several broad approaches have been advocated (Leonidou et. al., 2002). There are different approaches used by different researchers to measure export performance.

The determinants can be classified into internal factors ("justified by the resource-based theory") versus external factors ("supported by the industrial organization theory"), and into controllable versus non-controllable determinants. These determinants, including the number of positive, negative, and non-significant findings reported on the direct relationship between the respective determinant and export performance (Zororo Muranda, 2003).

Cavusgil & Zou (1994) analyzed export performance by evaluating internal forces to the firm including firm and product characteristics and external forces consisting industry and export market characteristics.

Export sales, profits, and composite scales are probably the most frequently used measures of export performance despite recent recommendations for using more perceptual measures of overall export success or success in achieving organizational goals (Cavusgil & Zou, 1994). The **"**sales**"** category includes measures of the absolute volume of export sales or the export intensity. Studies measuring firm size as the sales level of firm (Christensen et al., 1987; Madsen, 1989) indicate that firms with higher sales are more likely to engage in exporting activity.

2.2.2 Determinants for Performance of Export

Various researchers investigating about how firms perform in exporting have identified a lot of factors as determinants of export performance (Aaby and Slater 1989; Zuo and Stan, 1998). These determinants have been classified differently; however, a major classification has been as controllable and controllable. The controllable determinants are internal firm-level and uncontrollable are external environmental determinants (Aaby and Slater, 1989).

Siringoringo (2009) identified four groups: external, operational, internal and informational barriers, whereas Leonidou et. al. (2002) moved from the basic distinction between internal barriers associated with organizational resources/capabilities and the company's export strategy and external barriers related to the home and host environment within which the firm operates.

Classifying the determinants of export performance into internal and external factors is theoretically justified as the two categories correspond to different theoretical bases. Specifically, internal determinants are justified by the resource-based theory, while external determinants are supported by the industrial organization theory.

The resource-based theory conceives a firm as a unique bundle of tangible and intangible "resources" (assets, capabilities, processes, managerial attributes, information, and knowledge) that are controlled by a firm and that enable it to conceive and implement strategies aimed at improving its efficiency and effectiveness. The resource-based theory contends that the principal determinants of a firm's export performance and strategy are the internal organization resources. In contrast, the industrial organization (IO) theory argues that the external factors determine the firm's strategy, which in turn determines economic performance. The logic is that the external environment imposes pressures to which a firm must adapt in order to survive and prosper (Julian and O'cass, 2002). Therefore, discussing the findings of this review along the internal versus external and controllable versus uncontrollable dimensions is theoretically sound and practically significant

Hence, in this study, those determinants of export performance relevant to the topic identified from different literatures including both internal factors of exporters and external conditions

more specifically government support services and export related facilities are reviewed as follows.

2.2.2.1 Internal Determinants for Performance of Export

Internal export barriers are intrinsic to the firm and are usually associated with different firm-level determinants, such as: firm specific characteristics and product characteristics (Julian and O'cass, 2002); firm structural characteristics, market orientation, market characteristics, managerial attitudes (Chetty et al., 2004; Madsen, 1989); competencies, market orientation, firm characteristics and management perception (Aaby and Slater, 1989); strategy factors, management attitude and perception, export marketing strategy and marketing mix variables (Zou and Stan, 1998).

Firm Size

Firm size is taken as controllable factor and is an important determinant of export performance (Aaby and Slater, 1989). A literary review by (Zou and Stan, 1998) has found its mixed affects; firm size has positive effect on export performance if measured in terms of total sales and has negative effects are found on export profits if measured by number of employees a firm have.

Siringiringo (2009) report that the variables of firm size and age have been the most closely scrutinized of the characteristics investigated. Internationalization requires appropriate resources therefore firm size is an important predictor of export propensity. Larger firms have a greater ability to expand resources and absorb risks than smaller ones, and may have greater bargaining power; and larger firms have specialized managerial resources and can make use of economies of scale (Caparas, 2006).

Studies have identified a positive relationship between firm size and exporting (Christensen et al., 1987) and a positive relationship between firm size and percentage of total export sales (Madsen, 1989) concluded that smaller firms demonstrate less success in exporting than do medium or large firms. Other studies indicate that the size correlation only exists to a certain level, beyond which the relationship fails (Siringoringo, 2009).

Large companies have advantages related to their size that make them more efficient in terms of export for four reasons (Leonidou, 1998). First, because they have more financial, human and material resources available, which are crucial for developing and maintaining an export programme? Secondly, because their managers are more competent and dynamic, capable of appreciating the usefulness of exporting and developing a strategy to export effectively (Tookey, 1964). As a result, size not only facilitates entry into a foreign market but also provides a greater ability to respond effectively to the demands of customers' abroad. Thirdly, they are more competitive due to being able to generate more economies of scale and having greater power in the market. And fourthly, they are more risk tolerant because they have easier access to information sources as they have the ability to withstand the impact of international errors. In short, large companies have advantages in terms of export, as long as their size is associated with lower average or marginal costs (Van Dijk, 2002).

However, a smaller size is not an obstacle for exports as exporting is the form of internationalization that requires fewer resources compared with other forms of entry into foreign markets (Van Dijk, 2002). Among the reasons put forward is that this relationship is influenced by the export strategy the company has decided. Thus, firms that have few domestic specialized resources for export can compensate with external resources, or because small firms in groups have easy access to information, it reduces the company's risk perception by their copying other companies (Van Dijk, 2002). In a constantly changing global environment, small companies have a greater flexibility and ability to adapt to changes quickly and overcome difficulties, as its management is less complex and less formal systems are needed for coordinating activities than in large multinationals.

Knowledge

Firms' export market knowledge is a critically important competence which influence export performance (Aaby and Slater (1989) which positively affect the export performance. However, (P, Carlos M, 2004) found a weak correlation between the two.

Knowledge theory posits that knowledge exists as an individual-level as well as an organization-level phenomenon. Two types of knowledge are essential for a successful export marketing performance. The first is knowledge of the export market, thus knowledge about the market's micro- and macro-environment, infrastructure, and purchase behavior. Second, knowledge of

how to deal with export procedures such as financing and paperwork is necessary. Export marketing knowledge is measured as a second-order construct consisting of three sub-constructs, which capture the different levels as well as types of knowledge (Freeman and Lawley, 2005).

Knowledge barriers include: a lack of knowledge of potential export markets and difficulties associated with the identification of opportunities in foreign markets (P, Carlos M, 2004). Too little information about the opportunities for a firm's products/services abroad is one of the major barriers. It also has to be remembered that information on foreign markets is generally difficult and costly to obtain.

Muhammed Suhail (2009) has shown that the international performance of exporting firms is affected by the extent to which they take a systematic approach to selecting export markets: the more systematic the selection, the better the firm's performance. Constraints associated with market research also fall within this category.

Simone (2004) also distinguished that the objective knowledge, which can be formally taught, learned from books or reports, and transmitted to others, from experiential knowledge, which arises from subjective personal experience. The concepts correspond broadly to explicit (objective) and implicit or tacit (experiential) knowledge (Okpara and Nicholas, 2008). The latter refers to the know-how embodied in hunches, ideals and skills, all of which is hard to share with others. Okpara and Nicholas (2008) attribute the orientations of exporting firms in developing economies to the development and sharing of experiential knowledge in distinction from Western preoccupation with objective, typically quantifiable, information.

Marketing knowledge and information are two of export problems which revolve around lack of knowledge of foreign markets, business practices, and competition; and lack of management to generate foreign sales. Lack of knowledge to locate foreign opportunities and promising markets is perceived to be a major barrier in exporting of firms in developing countries. Furthermore, several publications show that experienced and inexperienced exporters in developing countries believe that poor knowledge of potential markets hinders their export activities (Siringoringo, 2009).

Marketing knowledge is dependent on the relevance and depth of marketing information available to the firm. Firms that use relevant, accurate and timely information are in a better

position to respond to export problems. Information about exporting and more specifically market information were mentioned as the most serious problem of manufacturing firms in developing countries (Siringoringo, 2009).

Experience

Next to the knowledge acquired through education, exporters gain export experience when internationalizing. According to Chetty et al. (2004), the international experience is defined as the "experiences from past businesses in diverse foreign markets". Thus, only by doing business in a particular country is it possible to learn how to act and react with consumers, intermediaries, competitors and public authorities (William C. Johnson, 2001). Most studies measure export experience as the number of years an exporter or a firm exports.

The experience of a company is the bases from which the values, routines and traditions are developed that guide its current and future strategy, thus facilitating international activity (Siringoringo, 2009). Companies with less organizational experience find it more difficult to overcome barriers to export due to their lack of organizational resources, experience of their directors and knowledge of the business and market. International activity requires some organizational experience, as companies engaged in international expansion are those who are successful in their domestic markets (Leonidou, 2002).

There is a positive relationship of export experience with export propensity and intensity (P, Carlos M, 2004). It has been found that a firm's exporting experience has a positive effect on export performance (Madsen, 1989), the degree of internationalization and attitudes towards future exports. Additionally, experiential knowledge improves the understanding of the export markets and enhances the probability of a successful export performance in uncertain markets (Madsen, 1989; Aaby and Slater, 1989).

Companies whose managers have better international experience and more educated abroad show higher export intensity. In this finding, exporting companies with more international experience have more significant effect on their export success. It is logical that the more the firm is used to export transactions, methods and techniques, the more it will be able to improve its performance: it is the experience effect (Ingrid, et. al, 2004).

The experience of a company is the bases from which the values, routines and traditions are developed that guide its current and future strategy, thus facilitating international activity. Companies with less organizational experience find it more difficult to overcome barriers to export due to their lack of organizational resources, experience of their directors and knowledge of the business and market. International activity requires some organizational experience, as companies engaged in international expansion are those who are successful in their domestic markets (Leonidou, 2002).

As the company gains international experience it creates international bonds with customers, suppliers and other business partners. Thus, networks emerge that foster relationships between companies by establishing channels of information that stimulate exports and help overcome the disadvantages of being foreign (William C. Johnson, 2001).

Analyses of the effect of the age of a firm and its export performance have led to controversial results. Some studies have shown a positive relationship between experience in international markets and export performance. Nevertheless, other empirical evidence is inconsistent with these findings (Cavusgil and Zou, 1994; Madsen, 1989).

Management's international experience seems to have a positive effect on export sales, export profits, export growth, and the composite measure of export performance. This is perhaps due to the fact that managers' international experience helps a firm to identify and leverage on the international opportunities while avoiding international threats (Freeman and Lawley, 2005).

In short, as the company is gaining international experience, it increases its confidence in overseas markets, entry costs reduce and therefore greater geographical expansion is favored (Chetty et al., 2004).

Amount of capital

The capital requirement of entering a specific market is a major consideration for an organization. Post market research, the organization will outline a cost-benefit analysis on each specific country and more importantly the capital requirements that will be required for the initial outlay of a global orientation, into this country. The results of which will be clear and help management determine the market they will select some markets the organization may enter,

even if the potential for profitability is great, as the capital required may be too high for them (P, Carlos M, 2004).

Tylecote (1987) outlines three areas in which an organisation can raise the necessary capital requirements for such a venture. Firstly, the organisation should analyse liquidity and the cost of capital. This includes; the time rate of discount, the rates of interest proposed, and the inflation rates expected. Secondly, Tylecote (1987) proposes for an organisation to look at other avenues, besides borrowing at interest, such as self-financing out of retained profits, "most attractive method, so long as there is enough profit left over after satisfying shareholders' minimum demands for dividends". The third avenue for gaining capital is through the stock market in the form of ordinary share capital. This has long been a major source of finance for company's who wish to raise capital. This method is attractive to firms who are currently successful as "the new shares were issued at the same price as existing shares" (Tylecote, 1987).

According to Carole Maurel, there is a positive impact of resources on export performance justified by the fact that the larger a company is, the more resources it has. Larger firms can benefit from economies of scale and experience effect and thus improve their export performance.

Internationalization requires appropriate resources therefore firm size is an important predictor of export propensity. Larger firms have a greater ability to expand resources and absorb risks than smaller ones, and may have greater bargaining power; and larger firms have specialized managerial resources and can make use of economies of scale. Larger size, that is larger capital, firms have advantages in terms of export, as long as their size is associated with lower average or marginal costs (P, Carlos M, 2004; Caparas, 2006).

A lack of financial resources has been identified as a key factor influencing the success/failure export ventures. These barriers are associated with a lack of capital or credit to finance export sales and a lack of finance for market research, as well as difficulties associated with operating with different currencies and collecting payments abroad (Siringoringo, 2009).

Overall, larger firms have more resources, which can be applied to new markets and are less sensitive to risk in market development. These factors facilitate the development of export competitive advantages (Siringoringo, 2009).

Product Strengths or Quality

Quality of the export products is one determinant of a product's export competitiveness. The exporter must provide goods which meet the technical requirements set by the importer's country. However, technical regulations and standards as well as sanitary and phyto-sanitary measures constitute significant obstacles. Developed countries often apply stringent technical standard requirements on exports from developing countries; such standards are often higher than those in place in developing countries, and are usually regarded as an effective measure/ barrier against exports from other countries. The inconsistent technical standards between trading partners and the overuse of technical measures negatively affect the ability of enterprises in developing countries to become international suppliers (Peng Bin).

Quality is often indicated as one of the most important conditions for entering and remaining in foreign markets. It concerns packaging, meeting importers quality standards and establishing the suitable design and image for export markets. There are different quality standards in developing countries (Christensen et. al., 1987).

However, many of the quality problems are the result of inadequate knowledge about market requirements, product characteristics and production technologies. A product, which sells well in a developing country, may not sell at all in a developed country (Siringoringo, 2009) conclude that product quality was a key competency for exporters. The studies of Rosane Gertner, et.al mentioned poor product quality and fashion sensitivity, as problems to Brazilian exporters. P, Carlos M (2004) pointed out that manufacturers in countries such as Venezuela, Argentina, and Chile are facing product quality problems. Lack of emphasis on research, product service and quality; characterize the profile of Brazilian firms that eventually ceased exporting. As low content undifferentiated marketers they faced direct competition from any marginal cost rival that bursts on the scene Christensen et al. (1987).

Product problems are related to quality and technical requirements of the targeted export market segment, such as export product design, style, quality, packaging and labeling requirements and product adaptation or modification. The product strengths (e.g. product uniqueness, patents, exposure to market etc.) have positive influence on export performance of the firm. Export product uniqueness (Zou and Stan, 1998) its quality and design (Leonidou et. al., 2002) are

positively correlated with firms' export performance. The firm's ability to offer a complete product or brand mix in export markets is positively correlated with export performance (Leonidou et. al., 2002)

2.2.2.2 External Factors as Determinants of Firm's Export Performance

The external-uncontrollable factors have received the least attention from researchers. When the firm's total export is the focus, the environment is often hard to define clearly, because the same firm can export many markets with different characteristics. External export barriers can be classified as distinctive foreign consumer preferences, unfamiliar business protocols and practices, the imposition of tariff barriers and regulatory import controls by overseas governments, fierce competition, exchange rate fluctuations and limited hard currency for international trade. The aforementioned problems are classified as industry, export market and the macro environment barriers (Zou and Stan, 1998).

Export performance depends on the context, the environment outside the company, in which it operates (Carole Maurel). According to Carole Maurel, several aspects of the external environment must be taken into account. In an international context, it regards the public export promotion programmes offered by governments to exporters. The financial environment is among other things the exchange rates and their fluctuations. They can influence exporters because most of them do not have as many necessary tools as groups to manage the exchange risk and limit its impact on their results.

Most studies that investigated the effects of external uncontrollable factors assessed the effects of these factors on financial measures of export performance such as export sales, profits, and growth. According to the review of Peng Bin in his study of Asian export competitiveness through trade facilitation, the quality of the institutional framework is a key factor in the supply capacity. However, the inadequacy of institutional frameworks is a common problem facing developing countries in Asia. This is reflected in, government supports and related services among other things such as: (a) inappropriate and unpredictable trade policies and regulations; (b) inefficient trade and customs administration systems; (c) cumbersome trade procedures and documents; and (d) rent-seeking and unofficial payments.

Firms in developing countries are often unaware of their own inefficiency. Such firms attribute too much of their inability to export to external factors and too little to their lack of efficient production. Import restrictions creating protected domestic markets have given entrepreneurs a false sense of competence. These entrepreneurs are only slowly aware of the critical roles that quality control, price and on-time delivery plays in international markets. Once their eyes are opened to the importance of these factors, access to buyers and technical support focused on production constraints can provide them with the means for lowering costs and raising quality (Cressida S. McKean, 1999).

Lack of similarity of legal and regulatory frameworks of the exporting and importing countries and lack of familiarity with market export procedures are also mentioned as export market barriers. These factors are regrouped into customer and procedural barriers. Customer barriers stem from the customer's perception of product characteristics. An important issue here is that in addition to specific quality problems, exporters from developing countries face the poor reputation of their country, as stated in the research of (Siringoringo, 2009).

External barriers are those arising from uncertainties in international markets that cannot be controlled by firms since they are the result of the actions of other market players, such as governments and competitors. For example, strong competition in foreign markets is a relevant barrier. Poor economic conditions and unfamiliar business practices can be further important barriers to export.

Government support services

Government authorities and agencies can raise direct export barriers. Government regulations may relate to tariff and non-tariff barriers, such as export regulation of the domestic government inadequate diplomatic support and protectionist barriers, cost of transportation and transport service and infrastructure (Siringoringo, 2009). Besides, lack of export promotion and assistance programs sponsored by the government and foreign exchange allocation were noted as export problems to exporters in developing countries. Exporters often suffer because of the inadequacy of government export promotion policies. This includes lack of gathering and provision of information on available export opportunities and ineffective promotion of the countries exports overseas (Siringoringo, 2009).

The government can provide the different support services to exporters such as developing export policies and strategies; providing appropriate export financing/credit and foreign currency exchange services; reviewing existing export development plans; facilitating export related services including customs, quality assurance, quarantine; promoting exporters' capabilities through trainings, supervisions; providing useful market information related to customers demand, potential markets, price and related information; strengthening national and local exporters or traders associations (FDRE Proclamations No 132/1998, 249/2001, 622/2009).

A country's legal environment/ regulations can be identified as the rules and principles that nation states regard as binding upon themselves. The regulatory or legal environment is an important variable to consider in international business, and hence, one of the factors deterring export performance. One of the most cited obstacles with regard to exporting concerns the time and paperwork required to comply with foreign and domestic market regulations. Governments do not solely impose these procedural requirements. Also independent organizations such as banks, shipping organizations and insurance companies, have their own procedures (Phadett Tooksoon, 2008; Siringoringo, 2009).

According to Phadett Tooksoon (2008) from the results of the regression model, it can be observed that two dimensions of networking resources and services of financial institutions and business associates are statistically significant and have a positive relationship with export performance while that of government agencies is significant but negatively related to export performance.

The Center for Development Information and Evaluation (CDIE) survey in Latin America and the Caribbean evidence suggests that service use seems to correlate with strong export performance of firms in outward-oriented economies. Assisted firms (i.e. those receiving services from aid supported intermediaries) in Guatemala, the Dominican Republic, and Costa Rica had a significantly higher rate of export and employment growth than unassisted firms did (Cressida S. McKean, 1999).

Cressida S. McKean (1999) explained that export services also appear to have a positive impact on export growth and employment. According to him, the survey evidence suggests that service use seems to correlate with strong export performance of firms in outward-oriented economies.

According to Kagnew W. (2007), in his study on export performance and economic growth in Ethiopia, designing export promotion strategies, policies and support services conducive towards stimulating competitiveness remains crucial. Targeted and concrete export support services, product specific export market research, active participation in international trade fairs and instituting officially sponsored trade missions. The government needs to work together with the business community inculcating an atmosphere of mutual trust and confidence building to persuade them engage in the export diversification policy making (Kagnew Wolde, 2007).

2.3 Summary of the Review of Literatures

With regard to the key variables that have been discussed in the review of literatures, different authors argue differently on each of the identified factors that determine performance of export. Therefore, here it has been tried to draw some summary of these arguments on those factors as to link it with the conceptual framework of the study.

Lack of knowledge to locate foreign opportunities and promising markets is perceived to be a major barrier in exporting of firms in developing countries. Knowledge theory posits that knowledge exists as an individual-level as well as an organization-level phenomenon. Firms' export market knowledge is a critically important competence which influence export performance (Aaby and Slater (1989) which positively affect the export performance. However, (P, Carlos M, 2004) found a weak correlation between the two. Thus, from these points it can be concluded that knowledge of exporters can be one of the key factors which can positively affect performance of export, in which this study has been considering it as one of the key determinants of horse beans export performance.

According to Leonidou (2002), international activity requires some organizational experience, as companies engaged in international expansion are those who are successful in their domestic markets The experience of a company is the bases from which the values, routines and traditions are developed that guide its current and future strategy, thus facilitating international activity (Siringoringo, 2009). P, Carlos M (2004) has found a positive relationship of export experience with export propensity and intensity. It has been found that a firm's exporting experience has a positive effect on export performance (Madsen, 1989), the degree of internationalization and

attitudes towards future exports. Thus, in this study, it has been deduced that the experience of exporters was the one which can influence performance of export of horse beans positively.

The capital requirement of entering a specific export market is a major consideration for an organization. Post market research, the organization will outline a cost-benefit analysis on each specific country and more importantly the capital requirements that will be required for the initial outlay of a global orientation, into this country. According to Carole Maurel, there is a positive impact of resources on export performance justified by the fact that the larger a company is, the more resources it has. Larger firms can benefit from economies of scale and experience effect and thus improve their export performance. A lack of financial resources has been identified as a key factor influencing the success/failure export ventures. These barriers are associated with a lack of capital or credit to finance export sales were also considered as major factors that potentially affect performance of export positively.

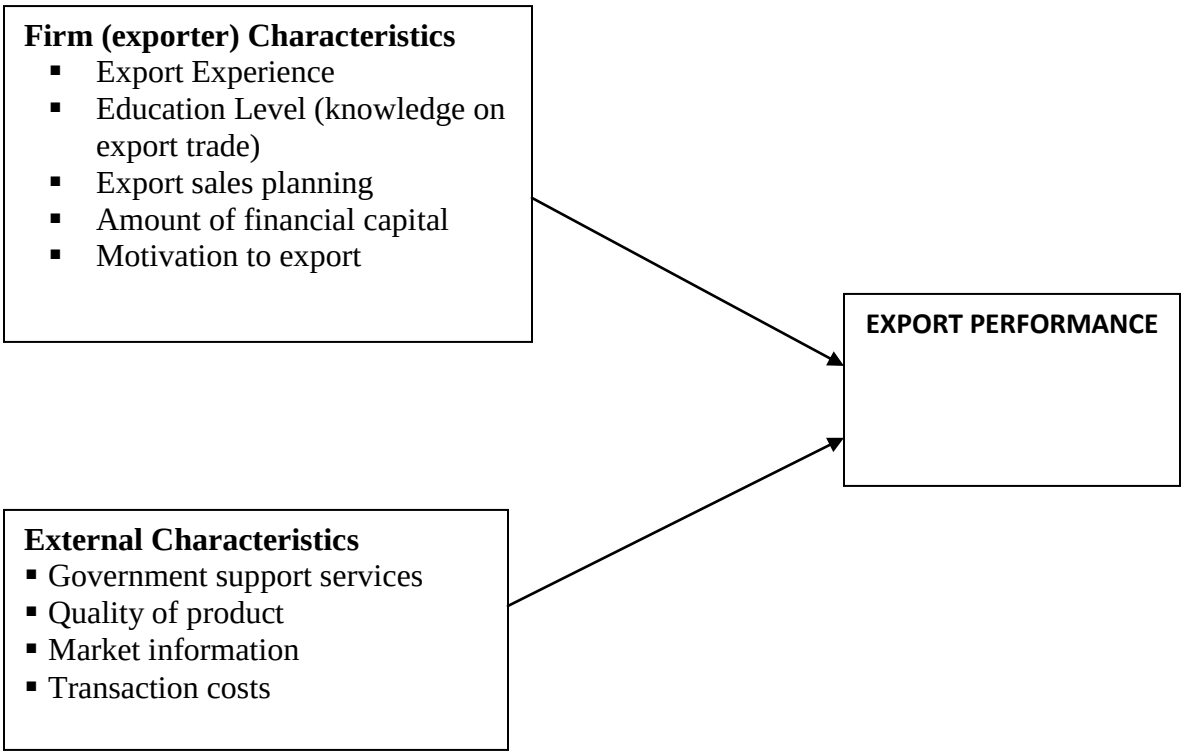
Quality of the export products is one determinant of a product's export competitiveness. Quality is often indicated as one of the most important conditions for entering and remaining in foreign markets. There are different quality standards in developing countries (Christensen et. al., 1987). Export product uniqueness (Zou and Stan, 1998) its quality and design (Leonidou et. al., 2002) are positively correlated with firms' export performance. The firm's ability to offer a complete product or brand mix in export markets is positively correlated with export performance (Leonidou et. al., 2002). Thus, from this it can be concluded that the better the quality levels of the product the better its performance of export is to be likely. Therefore, quality of horse beans was expected to be significant in influencing performance of export of horse beans.

Lack of export promotion and assistance programs sponsored by the government and foreign exchange allocation were noted as export problems to exporters in developing countries. Exporters often suffer because of the inadequacy of government export support services and promotion policies. This includes lack of gathering and provision of information on available export opportunities and ineffective promotion of the countries exports overseas (Siringoringo, 2009). Cressida S. McKean (1999) also tried to explain that export services also appear to have a positive impact on export growth and employment. According to him, the survey evidence suggests that service use seems to correlate with strong export performance of firms in outward-

oriented economies. Thus, from these, it can conclude that the more support services provided by the government to exporters the better their performance will be. Hence, support services of the government were taken as one of the key determinants of performance of export.

To sum up, the following conceptual framework can summarize the aforementioned concepts with regard to some of the key factors that determine performance of export.

Figure 1 Conceptualization of theoretical Framework



Source: Nazar and Saleem (2008)

2.4 Ethiopian Export: Review of Policy and Export Performance

2.4.1 Review of the Export policy in Ethiopia

The Emperor Regime (Pre -1974/75)

During the pre 1974/75 periods, the trade sector was governed by relatively free market economy in which the private sector mainly foreign capital, had occupied the sheer weight of both exports and imports activities (Brook Kebede, 1999). The development plan had three phases. The first five-year development plan (1957/58-1961/62) which mainly focused on import substitution industrial promotion and infrastructure facilities like road development. Diversification of the export structure by exploiting the large livestock population, and the products of agro-processing industries was also other focus of the plan (Brook Kebede, 1999; Kagnew, 2007).

In the second five-year development plan (1962/63-1966/67), a structural change and export diversification received priority. In the second phase, new export products of industrial origins and mining products were supposed to play key role. Besides, the formation of government foreign trade corporations, revisions of existing customs tariff to protect domestic products and stimulate exports, directing credit and subsidy policies towards the production and promotion of exports, conclusion of a series of bi-lateral and multilateral agreements and better participation at international trade fairs were among the key policy issues (Brook Kebede, 1999; Kagnew, 2007).

The third five-year development plan (1968/69-1973/74) focused on the geographic diversification of traditional export produces (coffee, livestock products and oilseeds) and the development of non-agricultural exports. The measures adopted include overvaluation of the exchange rate, high tariff rates, wide-ranging foreign exchange control and non-tariff barriers like restrictions on some items and heavy tax on export (Brook Kebede, 1999).

The Dergue Regime (1974/75- 1990/91)

Kagnew (2007) the overall policies favored the expansion of collective and public enterprises while private enterprises were kept at cove for long. An inward looking strategy behind a highly protective tariffs and quantitative restrictions was the development strategy. The government undertook a ten-year perspective plan which includes the following key policy issues.

- Aimed at orienting export structures of the country towards high value added products and increasing the amount and composition of manufactured exports, expanding the foreign exchange earnings, and increasing the socialization of the export sector.

- Particular attention was given to state owned export companies heedless of their inefficiency.

- Geographic diversification of exports towards the markets of socialist countries and neighboring African countries.

- To reduce the share of all traditional exports (coffee, hides and skins, pulses and oilseeds).

- to rise the share of other export products (live animals, meat products, fruits and vegetables, spices, sugar and molasses, natural gum, chat and others).

- The key policy issues were the provision of favorable tax, tariffs and foreign exchange rate measures, improving exports in terms of quality, quantity and variety and providing current information on world market prices and other factors in international market to exporters and producers.

The Current Period (Post 1991)

Under the current government, since 1992, Ethiopia under the support and guidance of the IMF and the World Bank has undergone liberalization and enhanced Structural Adjustment Programs (SAPs) to restrain internal and external imbalances of the economy. One of the basic reforms of the new policy regime is to increasingly open the economy to foreign competition with a view of benefiting the economy from expanded markets (Kagnew, 2007; Brook Kebede, 1999).

The policy tools implemented in the reform include devaluation of the Birr, streamlining import and export licensing system, tariff reduction and provision of incentives to exporters, abolishing taxes on exports and subsidies to parastatal exporting enterprises, encouraging export-oriented investment, introduction of duty draw back and foreign exchange retention scheme, minimizing administrative and bureaucratic procedures (C.T.Mwalwanda, 1999; Kagnew, 2007).

The key policy variables also include creating enabling environment for exporters, establishing effective partnership with between government and the private sector, creating appropriate institutions in support of the export sector like Investment and Export Promotion Agencies, Banks and Financing Institutions, Customs, Quality and Standard Authority; improving infrastructure, and appreciating difficulties of exporters operating in globalized and liberalized international markets (Kagnew, 2007; Brook Kebede, 1999; C.T.Mwalwanda, 1999).

The Export Development Strategy which has been promulgated in February 1998 highlights the provision of all rounded support services and incentives to exporters including the provision of market information, credit priority, priority in provision of working premises, ware house, etc. and establishing Ethiopian export promotion Agency for the coordination of the export promotion efforts and utilization of existing capacity (Brook Kebede, 1999).

2.4.2 Performance of Ethiopian Export

The Ethiopian export sector has been dominated by primary agricultural products such as coffee, hides and skins, oilseeds, pulses, chat and livestock. The overall performance of the export sector was not satisfactory during the periods 194/75-2002/03 due to its lower export/GDP ratio and declining share of export in financing the import (Brook Kebede, 1999). Of course, there has been an increase in the export sector contribution towards the economic development since the reform periods despite its slow growth. For instance, the total merchandise exports reached USD 1,465.7 million in 2007/08, which is 23.7% larger than the preceding fiscal year (National Bank of Ethiopia, 2007/08).

When we see the export share of pulses, during 1970/71 it was 6.3 while it reduced to 1.88 in 2000/01. In 2001/02 it raised to 7.28 while it again reduced to 4.13 in 2002/03 which makes the average export share for pulses 4.47 percent between the periods 1970/71-2002/03. This indicated that the pulses export was fluctuating in the then periods (Brook Kebede, 1999). But, in the last five years it showed consistent increment. During the periods 2005/06 the share of value of pulses export was 3.7% while it increased to 9.8% within two years during 2007/08 with a percentage change in value of export by 288.5% between the two periods (NBE, 2007/08). This is a remarkable growth in pulses export which attributed to the increase both in volume and international prices that enabled to generate USD 143.6 million in 2007/08.

In 2007/08, among the major export destinations Europe is the leading with 41.9% followed by Asia, Africa and America with 35.2%, 14.2% and 8.2% respectively (NBE, 2007/08). According to NBE 2007/08 annual report, out of this 14.2% export market share of Africa, the three neighboring countries Sudan, Somalia and Djibouti consists about 88.3%.

CHAPTER THREE: METHODOLOGY OF THE STUDY

3.1 Methods of Sampling Design and Samples

According to the information from the Amhara Region Bureau of Trade and Industry, there are about 148 registered and licensed exporters who export horse beans to Sudan via the Metema-Gelabat cross-border. About 100 of those exporters are found in Amhara region particularly in Metema, Gondar, Dabat, Chilga, Koladiba, Bahir Dar and Merawi and the rest of them reside in Addis Ababa and Tigray regions. Out of those 100 horse beans exporters, 87 of them reside in Metema, Gondar, Bahir Dar towns. In this study, a convenience method is used to identify the clusters areas of the study where sample exporters are residing. Hence, Bahir Dar, Gondar and Metema clusters were selected as target clusters using convenience method of sampling. This method is preferred for the sake of convenience and ease of data collection as it is difficult to find those horse beans exporters living in Tigray and Addis Ababa. In addition, this method is more suitable to this study due to time and financial constraints to manage the study as the researcher did not find any financial assistance from other bodies to conduct the research.

Therefore, in this study, those 87 horse beans exporters residing in Bahir Dar, Gondar and Metema towns have been taken as population of the study. A sample of 50 exporters, that is 57% of the target population, have been taken using random sampling technique as primary sources of information to be interviewed using structured questionnaire. According to the preliminary discussions made with key informants (at the start of research proposal phase) from Amhara region trade and industry experts and Ethiopian customs staff members, the level of heterogeneity of horse beans exporters through Metema-Gelabat border is minimal. Therefore, this sample can be taken as representative of the population because of the facts that exporters are assumed to be having similar characteristics.

3.2 Methods of Data Collection and Instruments

Both quantitative and qualitative data have been used for this study from both primary and secondary sources. Quantitative data include amount of capital of exporters, number of years of experience, purchasing price, export price and domestic whole sale price, transportation cost. The qualitative data also include exporters' knowledge on export trade, their motivation to enter into export trade, preference in quality level of horse beans for export, exporters' perception on support services provided by the government. The primary data is collected from those target horse beans exporters using structured questionnaire. The issues include exporters' perceptions, practices and challenges on the managerial, legal, policy and related issues of the cross border export trade and that of the horse beans export.

Using semi-structured key informant interviews, Manager of Metema Customs Center, experts from Amhara Region Bureau of Trade and Industry (BoTI), manager of Amhara Region Revenue and Customs Branch, experts from Gondar Quality Control and Standards Office have been asked. Thus, the data from key informants is used to triangulate the findings of the descriptive statistics and the regression analysis.

The data collected from those secondary sources include volume and value of total and horse beans exports for the year 2009 from Metema Customs Center, export prices between and local whole sale prices from Metema Customs Center and Ethiopian Grain Marketing Enterprise, horse beans quality grades/ standards and quality assurance procedures from Gondar Quality Control and Standards Office (EQSA).

3.3 Method of Data Analysis

The main objective of this study is to investigate the major determining factors of horse beans export performance. To meet this objective and to test the null hypotheses a binary logistic regression is employed using SPSS 15.0 software to examine as to what extent those exporters' own characteristics and external factors (independent variables) determine the performance of export of horse beans (dependent variable).

Besides, a descriptive statistic method of data analysis including frequency distributions, mean, percentages were used to explain some characteristics of the variables. Some of the variables

used in the model as well as other variables, key informant interviews, and those data from secondary sources including manager of Metema customs center, manager of Amhara region customs branch, experts from Gondar quality and standard office, expert from Amhara region trade and industry. The results are also displayed in tables, figures and charts.

3.3.1 The Binary Logistic Regression Model

Rosane Gertner in his study of determinants of performance of Brazilian firms, he used annual average sales for three years as one of the measures of export performance. Abdul Ghafoor, et. al (2010) also used the average volume of export sales of Pakistan mango exporters to assess the determinants of their export performance. In Ethiopian cases, there is no a clearly defined set of parameter as to categorize exporters based on their performance. Thus, in this research a weekly average volume of export has been taken as measure of performance of export. The mean of weekly volume of export of horse beans is 375 quintals between the ranges of 300-400 quintals. Therefore, a weekly average export volume of 400 quintal has been taken as a cut-off point to categorize those exporters based on their weekly volume of export to define performance of export.

Export performance was defined in relative terms, a dummy variable, in that those exporters whose weekly volume of export is less than 400 quintals are low performers (coded as 0) while those that export greater or equal to 400 quintals weekly are better performers (c0ded as 1).

The sales volume is one of the most frequently used measure of export performance. Sales category includes absolute volume of export sales or the export intensity. The higher the export sales indicate that the firm is more likely to engage in export activity as its performance will be relatively better (Christensen et. al, 1987).

Logistic regression can be used to predict a dependent variable on the basis of continuous and/or categorical independents and to determine the effect size of the independent variables on the dependent; to rank the relative importance of independents; to assess interaction effects; and to understand the impact of covariate control variables. The impact of predictor variables is usually explained in terms of odds ratios (Paul W. Dickman, 2003; http://personal.ecu.edu/whiteheadj/data/logit/).

Unlike Ordinary Least Square (OLS) regression, however, logistic regression does not assume linearity of relationship between the independent variables and the dependent, does not require normally distributed variables, does not assume homoscedasticity, and in general has less stringent requirements.

The logistic curve is better for modeling binary dependent variables coded as 0 or 1 because it comes closer to hugging the y=0 and y=1 points on the y axis. Even more, the logistic function is bounded by 0 and 1, whereas the OLS regression function may predict values above 1 and below 0.

Logistic regression predicts the log odds of the dependent event. The "event" is a particular value of y, the dependent variable. By default the event is y = 1 for binary dependents coded 0, 1, and the reference category is 0.

A binary logistic regression is selected due to the very nature and suitability of the model to explain qualitative dependent variable, export performance, which is a dummy variable that takes values 0 and 1 (Paul W. Dickman, 2003; http://personal.ecu.edu/whiteheadj/data/logit/). The model postulates those exporters' characteristics and external factors that influence the performance of their exports. Continuous or discrete variables are not used as dependents in logistic regression. Unlike logit regression, there can be only one dependent variable.

The natural log of the odds of an event equal the natural log of the probability of the event occurring divided by the probability of the event not occurring:

$$\ln(\text{odds}(\text{event})) = \ln(\text{prob}(\text{event})/\text{prob}(\text{nonevent}))$$

The Equation of the binary logistic model has a form of:

$$\text{Logit}(X) = \ln[P/1-P] = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta_k X_k$$

P is the predicted probability of the event which performance of export changes,

X_i represents explanatory variables that determine the predicted probability of the changes in performance of export; where i = 1, 2, 3 …k, the potential explanatory variables; and β_i = is the

coefficient of each explanatory variable which determine the probability at which the performance of export of horse beans changes as a result of the change in explanatory variables, Cetrus Paribus.

$$\textbf{Logit (X)} = \beta_0 + \beta_1 \ln K + \beta_2 N + \mathbf{b_3} E + \beta_4 Q + \beta_5 G$$

Where;

X = export performance (outcome variable) - a dummy variable, K = current capital in its natural logarism form, N = knowledge of exporters on export/international trade, E = experience in number of years in exporting, Q = quality grade of horse beans, G = Adequacy of government support services.

3.3.2 Operational Definition of the Explanatory Variables

The independent or explanatory variables that are used to estimate the performance of export in the logistic regression model are defined or measured as follows:

1. Current capital: a discrete variable but in its natural logarism form.
2. Knowledge: measured dichotomously: 'yes' if exports have knowledge on export and international marketing or 'no' if they do not have.
3. Export experience: number of years exporter stay in exporting measured as- less than one year, two to three years, four to six years, six to eight years, eight years and above.
4. Quality of Horse beans / quality_grade/: measured based on EQSA standards as grades one, two and three.
5. Government support services: measured dichotomously: 'yes' if support services of the government are adequate or 'no' if they do not.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1 Distribution of samples and Response Rates

As justified in the methodology of the study, out of 87 horse beans exporters residing in Bahir Dar, Gondar and Metema towns a sample of 50 exporters, that is 57% of the target population, has been taken as sample using random sampling technique as primary sources of information to be interviewed using structured questionnaire. The following table shows the distribution of exporters where samples have been taken and the rates of responses.

Table 1: Distribution of samples in each cluster towns and response rate

Cluster area	Number of exporters	Samples planned	Proportion of samples (%) from Population	Responded samples	Response rate (%)
Gondar	45	27	60	27	100
Metema	30	16	53	11	62
Bahir Dar	12	7	58	4	57
Total	**87**	**50**	**57**	**42**	**84**

Source: own field survey, 2010

Out of the total population of 87 exporters, that is, 45, 30 and 12 exporters in Gondar, Metema and Bahir Dar towns, 27, 16 and 7 samples (a total of 50 exporters) have been taken as samples of the study. From the samples taken, a total 42 complete samples questionnaires were used in the analysis. Hence, data from 42 sample exporters with a response rate of 84% were used for the analysis. A lot of efforts have been exerted to get the responses of sample exporters during the interview period because most of the exporters were reasoning out as they have not enough time to give answers. To minimize the non-response rates the researcher tried to approach exporters through Metema and Gondar Customs Offices and Quality Standard Authority Gondar Branch. As a result, it was possible to complete all the samples responses in Gondar where as two of the samples exporters in Bahir Dar and Metema who has been taking questionnaires went to other areas with out responding while three of the samples were not volunteer to respond and three of them gave incomplete responses.

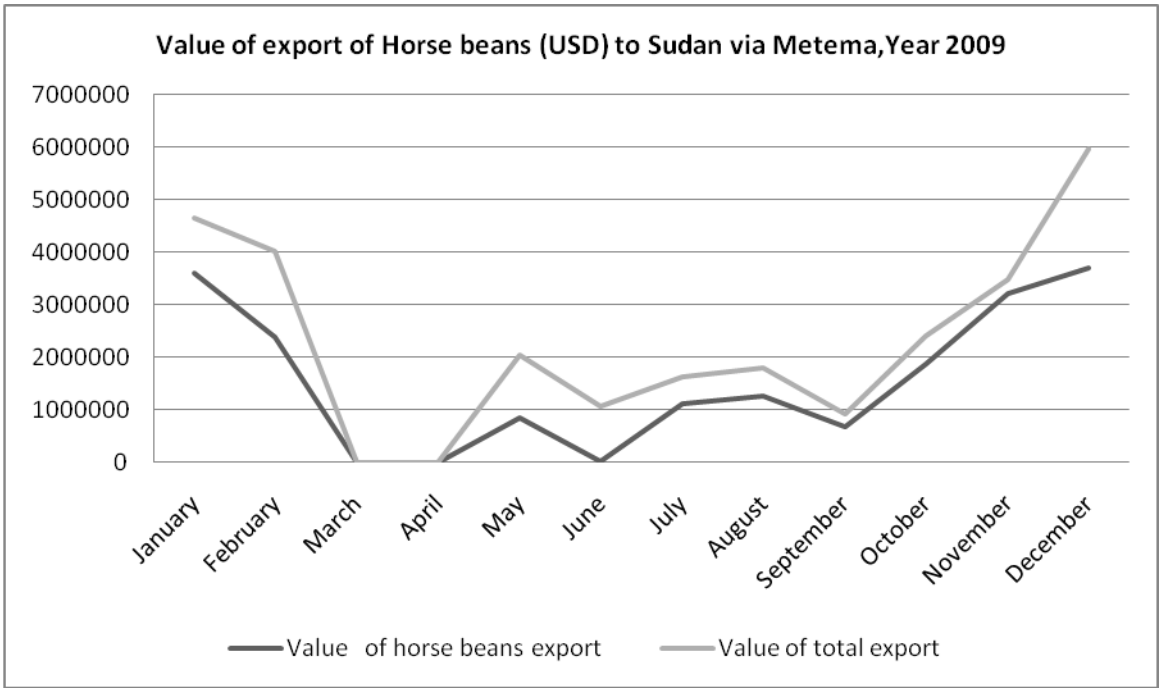
4.2 Description of the Descriptive Statistics of the Survey

4.2.1 The Share of horse beans export

According to the report of Metema Customs Center, the value of foreign currency earned from the export of horse beans to Sudan via Metema-Gelabat border fluctuates. Despite the differences in the value of foreign earnings, except for March and April, horse bean was exported to Sudan throughout the year. The minimum and maximum values of foreign earnings were USD 23,900 (June) and 3,697,896 (December) respectively with annual average of USD 1,559,210 in the given year.

When we see the share of value of horse bean export across the border, the minimum was 2.25% in June and maximum was 92.14% in November, 2009 with annual average export share of 60.92%. These facts indicated that horse bean was the major export item with significant contribution of foreign earnings in the Metema-Gelabat border trade. This is consistent with the justifications of exporters in that horse bean is believed to be a staple food in Sudan with promisingly increases in its demand.

Figure 2: Trends of Value of Horse beans and total export in 2009



Source: Metema Customs Center Report, 2009.

The above figure, in the year 2009, the trend of horse beans export and total export to Sudan across the Metema-Gelabat border was not consistent. In the first three months of the year, January –March, the value of export of horse beans and total export was sharply decreasing and reached zero. According to the key informants, there was no export of horse beans in March and April due to harvesting time of the Sudan horse beans at that period. Starting from April, though there is moderate fluctuation, the trend of both horse beans and total export was showing an increment, except for June when there was no export of horse beans. This fluctuation in export of horse beans may be due to the adequacy of horse beans product in Sudan during this season. The level of horse beans and total export since September was showing a sharp increase as this time the demand for Ethiopian horse beans reached higher levels due to the exhaustion of Sudan horse beans product as this item is a staple food in Sudan. The trend of export of horse beans and total exports were moving in a similar direction which implied that the share of volume and value of horse beans export is significant in the cross border export trade.

4.2.2 Description of Capital, Price, Profit and Transportation Cost

Sample exporters were asked about their initial and current capital, the purchasing price, the transportation cost, customs costs, quality assurance related costs and the profit they earn per quintal. The data in the table below shows that the minimum initial capital was Birr 10000.00 while the maximum was Birr one million with a mean initial capital of Birr 50916.67. When we see their current capital, they have Birr 80000.00 and 1.2 million minimum and maximum amount of capital respectively with a mean capital of Birr 424595.24. This shows that there was relatively much more difference between the minimum amounts of initial and current capital rather than the maximum amounts. When we see the sources of financial capital of the respondents, about 52.4% of them were from own source while 31% were supported by family and relatives. Only 9.5% of the respondents were getting initial capital from credit while the remaining 7.1% of them were matching capital as co-owners with their partners. These facts can imply that most of the exporters were mobilizing their initial capital by either by their own or from family and relatives rather than from formal financial institutions. Thus, this can be one of the factors that contribute to the inadequacy of their financial capital which, in turn, may affect their export performance.

Table 2: Descriptive Statistics for financial resources and costs

	N	Minimum	Maximum	Mean	Std. Deviation
initial capital	42	10000	1000000	50916.67	22468.93
Current capital	42	80000	1200000	424595.24	272072.09
Amount of profit per quintal	42	15	50	28.60	8.31
purchasing price for a quintal of horse beans	42	300	650	514.17	67.77
transportation cost from local market to exporting destination	42	25	90	56.88	17.52

Source: own field survey, 2010

According to the key informant interviews of experts from BoTI, the major reasons that contribute to lower financial capacity of exporters include threats of exporters not to take risks from lending, the individual nature of the cross border export as exporters are not organized to get access into better financial capacities among others.

The minimum and maximum purchasing prices of a quintal of horse beans were Birr 300.00 and 650.00 respectively with mean price of Birr 514.17. The minimum cost of transportation to rich to the export destination, that is Gelabat, was Birr 25.00 whereas the maximum was Birr 90.00 as per the distance where the product is purchased with a mean cost of transportation Birr 56.88. When we see the amount of profit, the minimum was Birr 15.00 per quintal while the maximum was Birr 50.00 with a mean profit of Birr 28.60.

4.2.3 Knowledge of Exporters on Export Trade

According to the data collected from respondent exporters, out of forty two respondents 45.2% of them respond as having better knowledge on export and international business or marketing related activities, while 54.8% have not. This implied that most of the exporters have not as such adequate knowledge on export trade.

Table 3: Descriptive Statistics of Exporters' knowledge

Knowledge on international business and related fields	Frequency	Percent
yes	19	45.2
no	23	54.8
Total	42	100.0
Knowledge on Export proclamation	Frequency	Percent
yes	15	35.7
no	27	64.3
Total	42	100.0
Knowledge on customs proclamation and procedures	Frequency	Percent
yes	20	47.6
no	22	52.4
Total	42	100.0
Status on marketing knowledge, skill and management know how	**Frequency**	**Percent**
highly qualified and more experienced	8	19.0
highly qualified and less experienced	7	16.7
less qualified and more experienced	17	40.5
less qualified and less experienced	9	21.4
not at all qualified and experienced	1	2.4
Total	42	100.0
Did you receive any training on export related disciplines	**Frequency**	**Percent**
yes	10	23.8
no	32	76.2
Total	42	100.0
How helpful was the training	**Frequency**	**Percent**
very helpful	3	27.3
helpful	5	45.5
fairly helpful	3	27.3
Total	11	100.0

Source: own field survey, 2010

With regard to exporters' knowledge on export proclamations and procedures, only 35.7% of respondents reported that as having better knowledge while majority 47.6% of them have not. These facts indicate that those exports have limited knowledge on export regulations and procedures which may affect their export performance adversely. Similarly, about 47.6% of the respondents reported as they have better understanding on customs proclamations and procedures while majority 52.4% of them have not adequate knowledge on the customs proclamation and procedures..

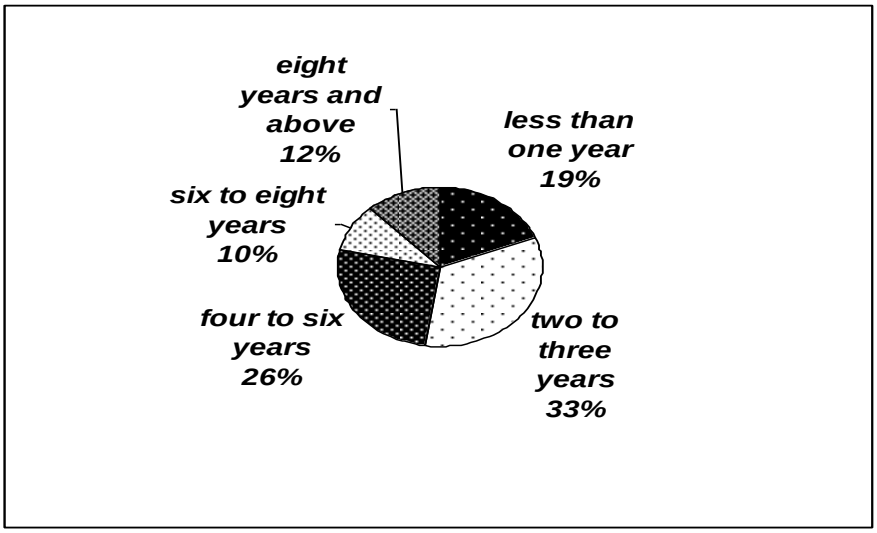
From the respondents, only 23.8% of them had received trainings on export related topics while the remaining 76.2% of them were not exposed to such training opportunities. The exporters also rate their level of understanding or knowledge on export trade as about 40.5% of them having less knowledge but better experience while 21.4% of them were said as less knowledge and less experience. Thus, these facts would imply that most of the exporters have not adequate knowledge on export and customs regulations and procedures in that they preferred to use agents to accomplish such processes.

4.2.4 Experience of Exporters on Export and International Trade

Experience of sample exporters differs in which they stayed in export business. Experience is an important element of any business activity and this becomes more important in export business where one has to deal with customers across the borders. The following figure shows the responses of those sample exporters with regard to their experience in export trading. Based on their responses, they have varying number of years of experience they stayed in the border horse beans export trade.

Figure 3 below indicated that out of the respondents 19% of exporters in this study had less than one year exporting experience, while up to 33% had been exporting in the last two to four years. About 26% of the exporters had exporting experience of four to six years. Therefore, about 78% of the respondents have experience of not more than six years while only 12% of them stayed in exporting for six years and above.

Figure 3: Number of years of experience in exporting



Source: own field survey, 2010

As can be shown in the table below, about 50% of the respondents were responding as they benefited more in having better export trade experience as they stayed more in exporting while 31% of them were reported as they get marketing strategies. Therefore, it implied that the more number of years that exporters stay in exporting the better they maximized their experience on export and related activities, which, in turn, improves the performance of their export.

Table 4: Benefits exporters gained from trainings

Competitive advantage gained from staying more on export	Frequency	Percent
knowledge on export policy	6	14.3
better export trade experience	21	50.0
exposure to marketing strategies	13	31.0
familiarity with customs procedures	2	4.8
Total	42	100.0

Source: own field survey, 2010

4.2.5 Quality Horse Beans

Ethiopian has its own quality standards for exportable horse beans. According to the Quality Standard Authority Standards, the quality grades of horse beans are known as grade one, grade two and grade three with 4.0%, 6.0% and 8.0% maximum limits of defects respectively (Negarit Gazeta, 1990). Based on this classification of horse beans quality standards, the level of quality of export of horse beans by the sample exporters as shown in the table below, out of the respondents 14.3% of exporters exported grade one quality of horse beans while 33.3 % and 52.4% of them exported grades two and three quality standards respectively. When we consider the exporters' preference in their choice of the those horse beans grades or quality standards, about 59.5% of them justified higher demand by importers while the remaining 23.8% and 16.7% of them said because of better quality and expensiveness of high quality horse beans respectively.

According to key informant experts from the Quality Standard Authority /Gondar Branch, most of the horse beans exporters preferred quality grade three due to the reasons in that it has lower prices and minimum cost of spinning and quality improvement activities. In addition, often, exporters agreed with importers in prior with regard to the quality level or standards and issue their price levels before receiving their bank permission and starting customs declaration processes. This shows consistency with exporters' response in which about 59.5% of them argued that the preference of quality level is due to the demand from importers.

When we see the duration of time to complete the quality testing and certification procedures, about 16.7% of the respondents reported completing within less than an hour while 31% of them with in one to three hours. The remaining majority 52.4% of them reported as completing on average more than half a day. This implied that the quality testing and certification procedures took too much time.

Besides, about 26.2% of the respondents reported that the quality testing and certification procedures were very convenient while 47.6% said convenient. But, the remaining, 26.4% of them were not satisfied with EQSA procedures as the responded as not convenient.

Table 5: Quality grade, quality testing and certification procedures

Quality Standard level	Frequency	Percent
grade 1	6	14.3
grade 2	14	33.3
grade 3	22	52.4
Total	42	100.0
Reason for preference of the selected beans grade	**Frequency**	**Percent**
better quality	10	23.8
highly demanded by importers	25	59.5
Other grades are expensive	7	16.7
Total	42	100.0
Time taken to complete quality testing and certifying	**Frequency**	**Valid Percent**
less than an hour	7	16.7
one to three hours	13	31.0
half a day	15	35.7
a day	7	16.7
Total	42	100.0
Quality assurance process convenience	**Frequency**	**Valid Percent**
very convenient	11	26.2
convenient	20	47.6
not convenient	6	14.3
not very convenient	3	7.1
not at all convenient	2	4.8
Total	42	100.0

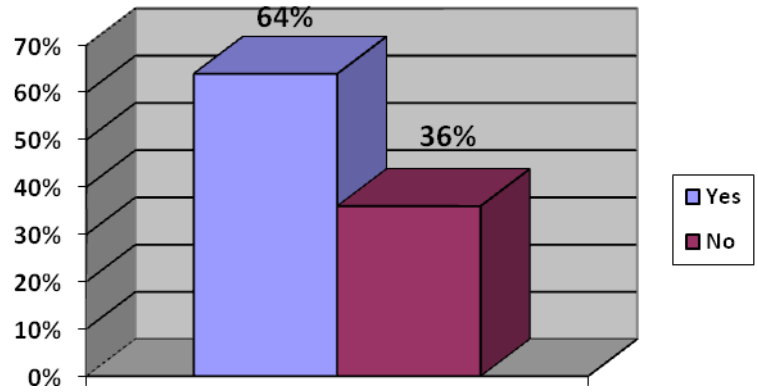
Source: own field survey, 2010

According to key informants from EQSA Gondar branch, the major reasons for longer times taken to complete the quality test and certification procedures would be the inadequacy of quality testing laboratories and horse beans spinning firms in the area. The experts are working manually to check the quality levels as to issue quality standards to exporters before declaring to export which make the quality test and certification procedure more time consuming. Thus, they suggest the need for better spinning and quality testing facilities for horse beans and other grains in the area.

4.2.6 Support Services of the Government

The current government has given prior emphasis to the export sector with particular focus on export of agricultural products. To meet the intended export sector development strategies, the government has set various support services and incentive mechanisms to promote exports. Exporters may have their own perceptions as to the adequacy of those support services provided by the government to exporters. The figure below shows the perception of sample exporters towards support services provided by the government.

Figure 4: Adequacy of government support services



Source: own field survey, 2010

With regard to adequacy of government support services (figure 4) out of the respondents 64% of exporters in this study responded that there exist adequate government support services while 36% of them said support services of the government were not adequate.

When we see the level of satisfaction of the sample exporters on the support services of the government they have varying perception. The results of the survey implied that about 59.5%% of the sample exporters were satisfied with export incentives provided by the government while 40.5% of them were not. From the support services, about 61.9% of them were not using banks in foreign currency exchange services while only 38.1% of them used this opportunity.

Table 6 Satisfaction of exporters on support services

Satisfied with export incentives	Frequency	Valid Percent
yes	25	59.5
no	17	40.5
Total	42	100.0
Satisfied with foreign exchange services	Frequency	Valid Percent
yes	16	38.1
no	26	61.9
Total	42	100.0
Satisfied with training supports	Frequency	Valid Percent
yes	6	14.3
no	36	85.7
Total	42	100.0
Export license service provision	**Frequency**	**Valid Percent**
first class	26	61.9
good	9	21.4
fair	5	11.9
poor	2	4.8
Total	42	100.0

Source: own field survey, 2010

Out of the respondents, 85.7% of them were not satisfied with governments training supports while only 14.3% of them appreciate the training supports provided by the government to exporters. This would imply that exporters were not properly exploiting the support services arranged by the government as clearly stated in the policies and proclamations related to export trade.

4.2.7 Volume of Exports of Sample Exporters

The weekly average volume of export of horse beans of the sample exporters is described below. According to the survey findings, the volume of export varies seasonally due to the fluctuations in demand of horse beans from Sudan. However fluctuates, the average volume of export per week ranges as follows for the sample exporters.

Table 7 Average volume of export

Weekly export volume	Frequency	Valid Percent
less than 200 quintal	10	23.8
201-400 quintal	13	31.0
401-600 quintal	9	21.4
601-800 quintal	7	16.7
more than 800 quintal	3	7.1
Total	42	100.0
Export frequency	**Frequency**	**Valid Percent**
twice a week	6	14.3
Weekly	22	52.4
bi-weekly	9	21.4
Monthly	5	11.9
Total	42	100.0

Source: own field survey, 2010

The frequency distribution table above indicates that about 23.8% of the sample exporters were exporting less than 200 quintals per week. About 31% of the sample exporters export between 200 and 400 quintals a week. Thus, more than half of, i.e. 54.8%, of the sample exporters were exporting less than or equal to400 quintals per week while the remaining 45.2% of the exporters have the capacity to export more than 400 quintals weekly. Hence, the majority of the sample exporters fall below the average, at which the cut-off point is set to categorize the relative performance of exporters as 400 quintals volume of export per week to define the dependent variable export performance as a dummy variable.

When we see the frequency of exporting, about 14.3% of the respondents were exporting twice a week while the majorities 52.4% were on weekly basis and 21.4% of the bi-weekly. But, this can be true during the times when if not harvesting seasons for Sudan's horse beans.

4.2.8 Access to Credit Opportunities

The export sector policy and development strategies clearly pointed out that one of the support services provided to exporters by the government is accessing credit opportunities to strengthen their financial and export performances. Exporters who fulfill the requirements set by the commercial banks and other financial institutions will be given priority to get into access to credit facilities. But, the survey results indicated the following characteristics of exporters as to credit opportunities.

Table 8 Credit Opportunity

Access to Credit Opportunities	Frequency	Percent
Yes	18	42.9
No	24	57.1
Total	42	100.0
Satisfaction on credit facilities	**Frequency**	**Valid Percent**
very satisfactory	4	10.0
moderately satisfactory	10	25.0
Satisfactory	12	30.0
not very satisfactory	5	12.5
not at all satisfactory	9	22.5
Total	40	100.0
Requirements to access credit	**Frequency**	**Valid Percent**
Guarantee	2	11.1
bank deposits	1	5.6
guarantee and export license	15	83.3
Total	18	100.0

Source: own field survey, 2010

From the exporters, only 42.9% of them had been accessing credit opportunities. The majority 57.1% were not exploiting the credit opportunities. From those exporters receiving credit, about 94.4% of them were received from commercial banks while the remaining 5.6% from informal lenders. Commercial banks have their own requirements to provide access to credit services. Out of the respondents, 83.3% reported as they required having guarantee and exporting license to get access into credit. Out of the exporters receiving credit, 35% of them were very satisfied with credit services while 30% were satisfied and the remaining 35% of them were not satisfied.

The key informants supported this status due to the very reasons that most of the exporters were not risk takers in accessing credit opportunities. The requirements for accessing the credit were not different for exporters instead of favoring those exporters as stated in the export incentives mechanisms. This should be one of the key points that exporters and the government, importantly banks and financial institutions, focus on as to supporting exporters.

4.3 Results of the Logistics Regression

Based on the identified method of data analysis as shown in the methodology of the study, the regression of the selected variables using SPSS 15.0 soft ware has given with the following estimates.

Table 9 Estimates of the Logistic Regression Model

Variables in the equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1(a)	Currentcapital, K	.698	.922	8.573	1	.003**	14.855
	Knowledge, Kn	.311	.908	.117	1	.732	1.365
	Experience, Ex	-.194	.405	.230	1	.632	.824
	Qual_grade, Q	.817	.770	5.574	1	.018*	6.155
	Gov_support, G	.692	1.199	5.043	1	.025*	14.765
	Constant	-42.696	13.994	9.309	1	.002	.000

a Variable(s) entered on step 1: currentcapital, knowledge, experience, qual_grade, gov_support.

******. Significant at 1% level

*****. Significant at 5% level

4.3.1 Effects of Variables

Logit (X) = -42.696 +.698 K + .311 Kn + -.194 Ex +.817 Q +.692 G

The findings of the logistic regression as shown in Table 8 above prevailed that current capital, knowledge, quality and government support services are positively associated with performance of horse beans exports. On the other hand, experience of exporters is negatively associated with export performance.

4.3.1.1 Effects of amount of capital on export performance

The framed null and alternative research hypotheses proposed to predict the relationship between amount of current capital of exporters and their export performance were as follows:

H1n: Capital of exporters will not influence export performance
H1a: Capital of exporters significantly influences export performance

The results of the regression analysis resulted in a positive (B=.698) and significant (P= .003) association between amount of current capital and performance of horse beans export. Therefore, the null hypothesis was rejected whereas the alternative hypothesis was accepted. This result would imply that a one percent increase in the amount of current capital would improve the performance of export by 0.698. Hence, based on the findings of the regression analysis, the amount of current capital of exporters is one of the major factors that determining their export performance. This finding is consistent with the findings of Christensen et al., 1987; Madsen, 1987 as they found a positive relationship between firm size and percentage of total export sales.

According to Carole Maurel there is a positive impact of resources on export performance justified by the fact that the larger a company is, the more resources it has. Larger size, that is larger capital, firms have advantages in terms of export, as long as their size is associated with lower average or marginal costs.

A lack of financial resources has been identified as a key factor influencing the success/failure export ventures. These barriers are associated with a lack of capital or credit to finance export sales and a lack of finance for market research, as well as difficulties associated with operating with different currencies and collecting payments abroad (Siringoringo, 2009).

Overall, larger firms have more resources, which can be applied to new markets and are less sensitive to risk in market development (Siringoringo, 2009). These factors facilitate the development of export competitive advantages (Siringoringo, 2009).

4.3.1.2 Effects of knowledge of exporters on export performance

The framed null and alternative research hypotheses proposed to predict the relationship between knowledge of exporters on export and international trade and their export performance were as follows:

H2n: Knowledge of exporters on export trading and related activities will not affect their export performance

H2a: Knowledge of exporters on export trading and related activities significantly affects their export performance

Based on the logistic results, knowledge of exporters on export trade is positively (B= .331) associated with export performance but is not statistically significant (P= .732). Therefore, the null hypothesis was rejected while the alternative hypothesis was rejected. This result then implied that knowledge of exporters on the Metema-Gelabat border would not be a key factor to deter their performance.

Hence, based on the findings of the regression analysis, however there exist a positive association between exporters' knowledge and their export performance, their level of knowledge is not as such a influential factor promote their export performance. This finding was not consistent with that of Aaby and Slater (1989) firms' export market knowledge is a critically important competence which positively affects the export performance.

4.3.1.3 Effects of experience of exporters on export performance

The framed null and alternative research hypotheses proposed to predict the relationship between experience of exporters on exporting and international trade and their export performance were as follows:

H3n: Experience of exporters on exporting and international trade will not significantly influence export performance

H3a: Experience of exporters on exporting and international trade significantly influences export performance

The findings from the binary logistic regression implied that export experience is negatively (B= -.194) associated with export performance, but it is not statistically significant (P= .632). The null hypothesis was accepted while the alternative hypothesis was rejected. The results of the regression analysis have shown statistically insignificant effect of experience of exporters on export trade. This result is inconsistent with the findings of Freeman and Lawley (2005) as the findings indicated international experience is positively and significantly associated with export performance or success. It has also been found that a firm's exporting experience has a positive effect on export performance (Madsen, 1989). Additionally, experiential knowledge improves the understanding of the export markets (Madsen, 1989) and enhances the probability of a successful export performance in uncertain markets (Aaby and Slater, 1989). The unexpected negative association between experience of exporters and the performance of export is some what unique in that it needs further investigation and research in detail.

According to the findings of Ingrid, et.al (2004), companies whose managers have international experience and more educated abroad show higher export intensity. In this finding, exporting companies with more international experience have more significant effect on their export success. It is logical that the more the firm is used to export transactions, methods and techniques, the more it will be able to improve its performance: it is the experience effect (Carole Maurel).

4.3.1.4 Effects of quality of horse beans on export performance

The framed null and alternative research hypotheses proposed to predict the relationship between quality grade of horse beans that exports exported and their export performance were as follows:

H4n: Quality of horse beans will not affect affects export performance

H4a: Quality of horse beans significantly affects export performance

Quality of horse beans is measured in terms of bean size, color, and purity (free from foreign matter) and moisture content. Most of the Ethiopian horse bean is produced organically without using any chemical input. According to Ethiopian standards, the well known quality grades of horse beans are grade one, two and three with maximum limits of defects of 4.0%, 6.0% and 8.0% respectively. However, the grade requirements for grade three beans or beans that are otherwise are of distinctly low quality (Negarit Gazeta, 1990).

Based on the logistic results, it is positively (B= .817) and significantly (P= .018) associated with export performance. The alternative hypothesis was then accepted as it is found to be a positive and statistically significant relation between quality of horse beans and export performance while rejecting the null hypothesis. This result would imply that a one percent the change in the quality standard of horse beans would improve the performance of export by 0.817. Thus, it can be argued that the better the quality of horse beans exported the more the performance of the export trade as more foreign currency can be earned as a result.

This result is consistent with the findings of Christensen et al. (1987) in that lack of emphasis on research, product service and quality; characterize the profile of Brazilian firms that eventually ceased exporting. The firm's ability to offer a complete product or brand mix in export markets is positively correlated with export performance (Leonidou et. al. (2002).

4.3.1.5 Effects of support services of government on export performance

The framed null and alternative research hypotheses proposed to predict the relationship between government support services and export performance were as follows:

H5n: Support services of the government provided to exporters has not any influence on export performance

H5a: Support services of the government to exporters significantly influence the export performance

The government can provide the different support services to exporters such as developing export policies and strategies; providing appropriate export financing/credit and foreign currency

exchange services; reviewing existing export development plans; facilitating export related services including customs, quality assurance, quarantine; promoting exporters' capabilities through trainings, supervisions; providing useful market information related to customers demand, potential markets, price and related information; strengthening national and local exporters or exporters' associations.

The regression results indicated that there was a positive (B= .692) and significant (P= .025) association between support services government and export performance. The alternative hypothesis was accepted as the effect of adequate government support services on the performance of export was found to be significant. On the other hand, the null hypothesis was rejected.

This result is consistent with the findings of McKean as he explained that export services also appear to have a positive impact on export growth and employment. According to him, the survey evidence suggests that service use seems to correlate with strong export performance of firms in outward-oriented economies (Cressida S. McKean, 1999). The more exporters exploiting the support services arranged by the government the better is likely to be their export performance.

According to the views of key informants from customs and trade and industry experts, there exist adequate support services arranged by government to exporters. But, exporters were not properly exploiting these services due to their other motives including to be benefited from some margins of exchange rates and minimizing costs of services charges during exchange of dollars they preferred black markets rather than banks. Besides, often the majority of exporters are not risk takers to get into access to credit services. This could imply that if exporters would be able to exploit more of the support services arranged by the government, the have the chance to improve their export performance.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings and Conclusions

The overall objective of the study is on identifying and analyzing the major determinants for the performance of export of Ethiopian horse beans to Sudan thorough Metema-Gelabat border. Beside, the research also investigated as to what extent the major determining factors affect the performance of horse beans export.

A binary logistic regression was employed using SPSS 15.0 software to examine as to what extent those exporters' own characteristics and external factors (independent variables) determine the performance of export of horse beans (dependent variable). Besides, a descriptive statistic method of data analysis was also used to explain some characteristics of the variables.

The findings of the logistic regression indicated that current capital, knowledge, quality and government support services are positively associated with performance of horse beans exports. On the other hand, experience of exporters is negatively associated with export performance.

The following are the major findings of the study from which conclusions and recommendations are drawn.

- The findings also confirmed that there exist a positive and significant association between amount of current capital and export performance. Therefore, the alternative hypothesis was accepted. Hence, from this finding, it is possible to conclude that the larger the capital of exporters the better their export performance is likely to be. Exporters whose capital is relatively larger will be able to export more compared to those with lower amount of current capital. Therefore, amount of capital is found to be one of the key factors determining the performance of export of horse beans.
- The results of the regression analysis indicated a positive but not statistically significant relationship between knowledge of exporters and their export performance. Therefore, the null hypothesis was accepted while rejecting alternative hypothesis. Hence, though there is a positive association between exporters' knowledge and their export performance, their level of knowledge is not as such an influential factor to deter their export performance. The facts

from the descriptive analysis indicated that those exports have limited knowledge on export related and customs regulations and procedures which may affect their export performance adversely. The result then may be an indication for the need of trainings to exporters related to export and international marketing so that to enhance their performance.

- The findings of the study implied that export experience is negatively associated with export performance, but it is not statistically significant. This result is however inconsistent with the findings of other researchers who found that a firm's exporting experience has a positive effect on export performance, it indicated something unique to the characteristics of the border export trade. Therefore, this finding would be able to make conclusions rather it needs` further study as to why experience of exporter negatively associated with performance of export.
- More than half of the sample exporters exported grade three quality of horse beans which is the lowest level of quality standard. The logistic regression resulted in a positive and association between quality of horse beans and export performance. The alternative hypothesis is then accepted. The quality standard for exportable horse beans is critical to promote their export performance. The better quality standards or grades of the horse beans the better chance that exporters have to increase their export volume, hence, their performance improved. The results of the model implied that if the quality of horse beans improved the performance of export will definitely be improved in a similar fashion.

- There exist a positive and significant association between inadequate government support services and export performance. So, the alternative hypothesis was accepted while rejecting null hypothesis. Hence, the more government supports provided to exporters the better their export performance is expected to be. But, key informants justified that exporters were not properly exploiting the support services arranged by the government. Therefore, it requires exerting much effort from the government side so as to bring those exporters to get access into the support services to enhance the performance of their export.

To sum up, the findings of this study indicated that amount of current capital of exporters, quality grades of horse beans and support services of the government are found to be true

predictors that determine the performance of Ethiopian horse beans export to Sudan across the Metema-Gelabat border.

5.2 Recommendations and Policy Implications

Based on the findings and the conclusions of this research it is important to recommend the following key points and policy implications.

- Amount of current capital of horse beans exporters is one of the critical factors that deter their export performance. This implied that there should be given a due emphasis as to broaden the financial sources of exports so as to increase their working capital which, in turn, may enhance performance of export. To this effect the government should create conducive environment where exporters would benefit from credit opportunities. Exporters would better be organized so as to exploit such opportunities and to benefit from the gain from the cross border export trade by enhancing their bargaining power both with the government and importers.

- The second important factor that influences performance of horse beans exports is its quality levels. Most of the sample exporters had been exporting grade three standards of horse beans. This quality standard is the lower level of quality which affects the gains from export. Hence, the quality improvement and standardization aspect should be given due attention as to promote the performance export of horse beans. Therefore, spinning firms should be established to improve the quality standards of the exportable horse beans. Appropriate quality testing and control system should also be maintained to promote better quality horse beans export.

- The support services arranged by the government to exporters were perceived as adequate by most of the sample exporters. But, majority of them were not properly exploiting these support services. This may be due to lack of awareness as to how to access those services and for some may be tight requirements when to access by individual exporters. Thus, it would be important to recommend that concerned government bodies should be able to closely working with those exporters so that they can get appropriate and up to date information and

supports. Besides, it would be better if exporters organized so as to easily getting access to information, support services and maintain their balance of power in the market.

5.3 Implications for Future Research

Based on the scope, limitations and the findings of this research, the following areas of future research are highlighted.

This research was limited to only assessing the determinants of performance of horse beans export to Sudan through Metema-Gelabat border. Hence, it did not include other commodities other than horse beans and focused only on those selected factors from the exporters or the supply side.

Therefore, it would be better for future if:

- Other export items to be included
- The effect of experience of exporters on performance of export has to be further investigated as there exist a negative association in this study
- Factors influencing performance of the Metema-Gelabat border from both exporters and importers point of view be included

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Annexes

Annex 1: Questionnaire for Exporters

1. Name of Exporter----------
2. Where is your permanent residence?
    1) Metema
    2) Gondar
    3) Bahir Dar
3. Why do you prefer to export to Sudan across Metema-Gelabat border?
    1) higher demand
    2) higher production in surrounding
    3) potential profit
    4) short distance
    5) other
4. Do you have any knowledge/ qualification on export and international business and related fields?
    1) yes
    2) no
5. How do evaluate your status on marketing knowledge, skill and management know-how?
    1) highly qualified and more experienced
    2) highly qualified and less experienced
    3) less qualified and more experienced
    4) less qualified and less experienced
    5) not at all qualified and experienced
6. Have you benefited or gained better opportunities from the trainings?
    1) yes
    2) no
7. What types of type of trainings you gained?
    1) entrepreneurship
    2) international trade
    3) business management

4) marketing
5) others

8. How helpful were the trainings for your export activities?
    1) very helpful
    2) helpful
    3) fairly helpful
    4) less helpful
    5) not at all helpful
9. How long do you stay in this cross border exporting trade?
    1) less than one year
    2) two to three years
    3) four to six years
    4) six to eight years
    5) eight years and above
10. Is there a strong the relation between experience and export capacity?
    1) yes
    2) no
11. What competitive advantage gained from staying more on export?
    1) knowledge on export policy
    2) better export trade experience
    3) exposure to marketing strategies
    4) familiarity with customs procedures
    5) others
12. Initial capital ----------
13. Where is your source of initial capital?
    1) own
    2) credit
    3) relatives support
    4) sharing with co-owner
    5) others
14. current capital----------

15. How much quintals of horse beans do you export weekly?
    1) less than 200 quintal
    2) 201-400 quintal
    3) 401-600 quintal
    4) 601-800 quintal
    5) more than 800 quintal
16. How frequently you made exporting?
    1) twice a week
    2) weekly
    3) bi-weekly
    4) monthly
    5) other
17. How much profit you earn per quintal on average? ----------
18. How satisfactory are government support services to promote your export capacity?
    1) very satisfactory
    2) moderately satisfactory
    3) satisfactory
    4) not very satisfactory
    5) not at all satisfactory
19. How do you evaluate export licensing service provision by the liscncer government body?
    1) first class
    2) good
    3) fair
    4) poor
    5) very poor
20. How satisfactory are credit facilities and requirements to promote your export?
    1) very satisfactory
    2) moderately satisfactory
    3) satisfactory
    4) not very satisfactory

5) not at all satisfactory

21. Did you have any access to credit opportunity so far?

1) yes
2) no

22. What requirements you requested while accessing the credit?

1) guarantee
2) export license
3) bank deposits
4) guarantee and export license
5) others

23. How much amount of credit money received? ----------

24. What was the lending institution?

1) microfinance institutions
2) commercial bank
3) informal lenders
4) relatives
5) others

25. Was the credit sufficient to promote your exports?

1) yes
2) no

26. How much amount of credit needed to expand your exports?

1) less than 200,000
2) birr 200,000 to 500,000
3) birr 500,000 to one million
4) more than one million
5) other

27. Do you have enough knowledge on the national export policies and proclamations?

1) yes
2) no

28. How convenient is export policy framework condition?

1) very conducive

2) conducive
3) somewhat conducive
4) less conducive
5) not at all conducive

29. Are you familiar with customs proclamation and procedures?
    1) yes
    2) no
30. Are you satisfied with export incentives?
    1) yes
    2) no
31. Is there any storage facility at Metema-Gelabat Outlet?
    1) yes
    2) no
32. How important is ware house or storage facility across the border?
    1) extremely important
    2) very important
    3) somewhat important
    4) not very important
    5) not at all important
33. How much is the purchasing price for a quintal of horse beans? ----------
34. How much is transportation cost from local market to exporting destination? ----------
35. Is there any tax on exporting horse beans?
    1) yes
    2) no
36. How much tax rate you paid? ----------
37. Where is the source of market information on price, demand
    1) trade and industry
    2) agents
    3) transistors
    4) brokers
    5) own

6) others

38. Are you satisfied on market information system?

1) yes
2) no

39. Do you have enough knowledge on quality standards of horse beans?

1) yes
2) no

40. Which quality grade of horse beans you export?

1) grade 1
2) grade 2
3) grade 3

41. What is your reason for preference of the selected beans grade

1) better quality
2) highly demanded by importers
3) other grades are expensive
4) no spinning facility
5) no other alternative
6) other

42. How do you see the fairness of cost paid for quality testing and certification?

1) very high
2) high
3) fair
4) less
5) negligible

43. How convenient are the quality assurance processes?

1) very convenient
2) convenient
3) not convenient
4) not very convenient
5) not at all convenient

44. Is lower financial capacity as major determinant to export performance?

1) yes
2) no

45. Is lack of experience as major determinant to export performance?

1) yes
2) no

46. Is inadequate government support as major determinant to export performance?

1) yes
2) no

47. Is poor quality of horse beans as major determinant to export performance?

1) yes
2) no

ANNEX 2: Check list for key informants' interview

1. What seems the Ethio-Sudan trade relation across Metema-Gelabat Border?
2. What are the key areas in which trade is made between the two nations?
3. What are the key export items from Ethiopia?
4. How do you evaluate the export of horse beans to Sudan across this border?
5. Who are the key actors/ stakeholders in relation to the cross border trade and export?
6. What seem the export sector policy/ strategy/ institutional environment?
7. What are the requirements expected from exporters to enter into this business?
8. What government supports is there to encourage export?
9. Did Ethiopia benefiting from the cross border trade between the two nations? How?
10. What are the reasons for low growth of export sector in general and export of horse beans in particular across this border?
11. What are the major determinants that influence the growth of export of horse beans to Sudan?
12. What are the key requirements from exporters to complete customs procedures?
13. What quality standards and procedures are there for exportable horse beans?
14. How long will it take to complete customs and quality assurance processes?
15. How banks allow credit to exporters?

ANNEX 3: Secondary Data

Table 6: Volume and value of horse beans export and price differential for the year 2009

No	Month	Exported horse beans in quintal	Value of export of horse beans in USD	Value of total export in USD	Ratio of HB/ TX	Percentage	Export Price per quintal in USD	Domestic whole sale price per quintal in USD	Price Differential	Remarks
1	January	60277.50	3599132.00	4654159.00	0.77	77.33	59.71	48.16	11.55	
2	February	58564.20	2382278.10	4026969.60	0.59	59.16	40.68	45.52	-4.84	
3	March	0.00	0.00	0.00	0.00	0.00	0.00	45.30	-45.30	no export
4	April	0.00	0.00	0.00	0.00	0.00	0.00	42.83	-42.83	no export
5	May	8800.00	862250.00	2055644.00	0.42	41.95	97.98	42.40	55.58	
6	June	390.00	23900.00	1061991.50	0.02	2.25	61.28	41.94	19.34	
7	July	19197.00	1107716.30	1636276.30	0.68	67.70	57.70	43.23	14.47	
8	August	21992.00	1266736.00	1809033.00	0.70	70.02	57.60	40.03	17.57	
9	September	11783.00	683432.00	936980.25	0.73	72.94	58.00	36.12	21.88	
10	October	32479.00	1883908.00	2404288.00	0.78	78.36	58.00	45.90	12.10	
11	November	55898.00	3203281.10	3476616.10	0.92	92.14	57.31	39.21	18.10	
12	December	63450.00	3697896.00	5965755.95	0.62	61.99	58.28	34.72	23.56	
	Average	27735.89	1559210.79	2335642.81	0.52	51.99	50.55	42.11	8.43	
	Total	332830.70	18710529.50	28027713.70	6.24	623.83	606.55	505.36	101.19	

ANNEX 4: ESTIMATES OF THE FIT OF THE MODEL

Table 7: Omnibus Test of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	23.489	5	.000
	Block	23.489	5	.000
	Model	23.489	5	.000

Table 8: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	34.354(a)	.428	.573

a Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

As can seen from the above tables, omnibus tests of model coefficients table 1 and model summary table 2, the likelihood ratio chi-square of 23.489 with a p-value of 0.001 which tells us this model as a whole fits significantly than an empty (Model 0). Besides, the -2 log likelihood (34.354) was also used to compare the fit of this model with model 0.

Table 9: Classification Table

Observed			Predicted		
			performance of export as export dummy		Percentage Correct
			0	1	
Step 1	performance of export as export dummy	0	19	4	82.6
		1	3	16	84.2
	Overall Percentage				83.3

a The cut value is .500

By assigning the probabilities 0 and 1 and comparing these to the actual 0 and 1, the percentage correct for exportdummy 1 showing volume of export greater than or equal to 401 quintals per week is 84.2 , the percentage correct for export dummy 0 is 82.6 and the overall percentage correct score is 83.3.